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November 2, 2009

**VIA ELECTRONIC FILING**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: State Universal Support of Basic Local Service Included in a Bundled Service  
Offering or Contract Offering  
Docket No. 2009-326-C

Dear Mr. Terreni:

Enclosed please find the pre-filed **Rebuttal Testimony of Ann C. Prockish** filed on behalf of United Telephone Company of the Carolinas, LLC d/b/a CenturyLink in the above referenced docket. By copy of this letter, I am serving all parties of record.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/mlw

cc: All Parties of Record  
via US Mail & E-mail

1       **BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

2                               **DOCKET NO. 2009-326-C**

3                               **REBUTTAL TESTIMONY OF ANN C. PROCKISH**

4   **Q.     Please state your name, title, and business address.**

5   A.     My name is Ann C. Prockish. I am employed by CenturyLink (formerly Embarq)  
6           as Senior Manager – Regulatory Operations. My business address is 100  
7           CenturyLink Drive, Monroe, Louisiana 71203.

8   **Q.     Are you the same Ann C. Prockish that filed direct testimony in this**  
9           **proceeding?**

10 A.     Yes, I am.

11 **Q.     What is the purpose of your rebuttal testimony?**

12 A.     My testimony will refute several points made by Mr. Joseph Gillan, who filed  
13           direct testimony on behalf of the South Carolina Cable Television Association,  
14           Compsouth, tw telecom of South Carolina LLC, and NuVox Communications,  
15           Inc. (collectively, “CLECs”) Mr. Gillan makes several erroneous assertions  
16           regarding the eligibility of access lines that are provisioned as part of a bundled or  
17           contract offering for receipt of state universal service fund (“USF”) support.

18 **Q.     Mr. Gillan states that Section 58-9-280 of the South Carolina Code does not**  
19           **support the inclusion of access lines sold as part of bundled or contract**  
20           **offerings in the calculation of state USF support. Do you agree?**

21 A.     No, I do not. As I stated in my direct testimony, the Federal Communications  
22           Commission (“FCC”) does not make any distinction between access lines that are  
23           sold as part of a bundled or contract offering from an access line that is sold as a

1 stand alone service. All of these access lines are eligible to receive federal USF  
2 support. When establishing the state USF, the Public Service Commission of  
3 South Carolina (the "Commission"), sought to ensure that the state fund was  
4 uniform with the federal fund to "avoid inconsistencies and....optimize universal  
5 telecommunications service and universal service fund processes to the benefit of  
6 South Carolina consumers."<sup>1</sup> The Commission should continue to ensure this  
7 consistency with the federal practice and not differentiate between access lines  
8 that are sold as a stand alone service and access lines that are sold as part of a  
9 bundled or contract offering for distributions from the state fund. To do otherwise  
10 would create variations between the administration of the two funds as well as  
11 result in an outcome contrary to the goals of universal service. All access lines  
12 should be eligible for state USF support.

13 **Q. What is the basis of Mr. Gillan's position?**

14 **A.** Mr. Gillan seems to be operating under the mistaken impression that when an  
15 access line is sold as part of a bundled or contract offering, the function of that  
16 access line has somehow changed. Mr. Gillan also seems to believe mistakenly  
17 that services previously approved as qualifying for state USF support somehow  
18 no longer qualify for that support after Section 58-9-285 of the South Carolina  
19 Code was enacted. That thinking could not be further from the truth.

20 **Q. Does the function of the access line change when it is included as part of a**  
21 **bundled or contract offering?**

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<sup>1</sup> See *In Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund*, Order Addressing the Universal Service Fund, Order No. 97-753 issued September 3, 1997, page 7.

1 A. No, it does not. Let me provide an analogous situation: fast food value meals.  
2 Many fast food restaurants sell french fries as part of their value meals, and they  
3 also sell french fries as a stand-alone product. However, the basic form and  
4 function of french fries are the same, whether sold as part of the value meal or as  
5 a stand-alone product. The only difference is that the customer receives some  
6 additional benefits from purchasing the french fries as part of a value meal,  
7 including convenience, ease in ordering, and a price break. The same concept  
8 holds true for access lines. Whether the access line is sold as a stand-alone  
9 service or as part of a bundled or contract offering, the basic form and function of  
10 the access line are the same, that is, to provide basic local exchange  
11 telecommunications service to the end user. As with the value meals, purchasing  
12 the access line as part of a bundled or contract offering provides additional  
13 benefits to the consumer, such as a price break, convenience, and ease in ordering,  
14 but in all other respects, the access line remains the same.

15 **Q. Did Section 58-9-285 of the South Carolina Code change the services that**  
16 **qualify for state USF support?**

17 A. No, it did not. As I stated in my direct testimony, that statute states that  
18 “[n]othing in this section affects the commission’s jurisdiction over distributions  
19 from the USF pursuant to Section 58-9-280(E).” Access lines that qualified for  
20 support from the state USF prior to the enactment of Section 58-9-285 are still  
21 eligible for support; nothing in the statute prohibits access lines provisioned as  
22 part of a bundled or contract offering from receiving state USF support.

1 In addition, the South Carolina General Assembly stated in the recently passed  
2 Customer Choice and Technology Investment Act of 2009 that “[f]or those LECs  
3 that have not elected to operate under this section, nothing in this section or any  
4 subsection shall affect the current administration of the state USF nor does any  
5 provision thereof constitute a determination or suggestion that only stand-alone  
6 basic residential lines should be entitled to support from the state USF.” Under  
7 this legislation, state USF support for access lines would be withheld *only* if the  
8 LEC has opted for deregulation.

9 **Q. Are the carrier of last resort obligation and state universal service funding**  
10 **related?**

11 **A.** Yes. As the General Assembly recognized when it enacted Section 58-9-280(E),  
12 the carrier of last resort obligation and state USF support go hand in hand. The  
13 CLECs are trying to decouple these two principles by suggesting that bundled  
14 offerings should not receive USF support, regardless of a carrier’s COLR  
15 obligation. This position has no support in either the enabling legislation or the  
16 Commission’s orders implementing the fund. The Commission should reject the  
17 CLEC’s position, which would continue to impose upon LECs the social  
18 obligation of providing universal service to all customers within a designated  
19 service territory without also providing those LECs with the means of funding  
20 that obligation. The General Assembly and the Commission consistently have  
21 recognized that relationship. The Commission should not disregard that  
22 relationship now by disallowing support to access lines provisioned as part of a  
23 bundled or contract offering.

1   **Q.    Section 58-9-285 removed the Commission's authority over the pricing of**  
2       **bundled and contract offerings. Does this lack of authority over the price of**  
3       **the bundled or contract offering change the calculation of state USF**  
4       **support?**

5   **A.    No, it does not. The state USF support calculation uses the tariffed price of the**  
6       **stand-alone access line to determine the maximum amount of support available to**  
7       **each carrier. The price of the bundled or contract offering itself is not a part of**  
8       **the state USF calculation. Moreover, as I stated in my direct testimony, while the**  
9       **Commission may no longer set the price of bundled or contract offerings, market**  
10      **forces and competition will dictate the price at which bundled and contract**  
11      **offerings will be sold. That competition will ensure that the end user does not**  
12      **overpay for service. Prices for bundled offerings tend to be set on a statewide**  
13      **basis, which brings the benefits of competitive pricing even to the rural areas of**  
14      **the state where competitors may choose not to provide service. One of the**  
15      **policies for the preservation and advancement of universal services, as stated in**  
16      **Section 254, Part B of the federal Telecommunications Act, is for "[a]ccess in**  
17      **rural and high cost areas to telecommunications and information services**  
18      **reasonably comparable to rates charged for similar services in urban areas." The**  
19      **fact that the Commission no longer has authority to set the price of the bundled or**  
20      **contract offering should have no impact to the determination of state USF**  
21      **support.**

22   **Q.    Mr. Gillan claims that it is not the obligation of the fund to help pay for**  
23      **service that the carrier chooses to price below cost. Is that true?**

1 A. Carriers do not *choose* to price services below cost. It would make no sense to do  
2 so, as it would be unprofitable and the carrier would soon find itself out of  
3 business. A carrier may be *forced* to price a service below cost, either by  
4 Commission regulation or by competition. If the service that is being priced  
5 below cost is basic local exchange telecommunications service and it is being  
6 priced below cost for regulatory reasons (i.e. universal service obligations), the  
7 carrier should be subsidized for that below cost pricing through explicit support  
8 from the state USF, as a goal of the state USF is to ensure that all customers in  
9 South Carolina have access to basic local exchange telecommunications service at  
10 an affordable rate. As I stated in my direct testimony, if the Commission were to  
11 disallow access lines that are a part of bundled or contract offerings from  
12 receiving state USF support, LECs would likely either stop offering bundled or  
13 contract offerings in the rural areas of the state or would be forced to dramatically  
14 increase the cost of the bundled or contract offering to recover the high cost of  
15 providing service. In either case, the rural customer is negatively impacted and  
16 the policies of the state and federal USF have been violated.

17 **Q. Mr. Gillan also discusses problems with subsidizing deregulated services in**  
18 **his direct testimony. Is the state USF subsidizing deregulated services?**

19 A. No, it is not. The only service that is supported by the state USF is basic local  
20 exchange telecommunications service. Basic local exchange telecommunications  
21 is still a regulated service. Basic local exchange telecommunications service is a  
22 fundamental part of a bundled or contract offering and LECs are required to  
23 provide this service as a separate tariffed offering. The “deregulation” to which

1 Mr. Gillan alludes is simply a lack of authority on the part of the Commission to  
2 regulate the price of the bundled or contract offering.

3 In addition, a bundled or contract offering is not a service in and of itself. These  
4 offerings are a collection of services, some regulated and some not (depending on  
5 the offering). In fact, Section 58-9-285 requires that the regulated components of  
6 bundled offerings must also be separately tariffed as stand alone services. By  
7 subscribing to the bundled offering, as opposed to purchasing each service  
8 separately, the customer receives benefits including convenience, ease in  
9 ordering, and a discount off the price.

10 **Q. Mr. Gillan also seems to infer that the South Carolina USF subsidizes every**  
11 **single service that a subscriber desires. Is this true?**

12 **A.** No, it is not. As I previously stated, the fund supports only the access line, which  
13 provides the basic local exchange telecommunications service, and then only for  
14 those customers where the cost of the access line is in excess of the maximum  
15 price for that line.

16 The calculation of the maximum amount of state USF support available to a  
17 carrier includes only the cost and maximum price of access lines. The cost and  
18 prices of other services are not considered in the calculation for state USF support  
19 nor do these services receive any support from the fund.

20 **Q. Mr. Gillan claims in his direct testimony that consumers in urban areas are**  
21 **paying a tax into the fund but receive no benefit from that tax. Is that true?**

22 **A.** I disagree that consumers in urban areas do not receive a benefit from the fund.  
23 By default, everyone benefits when more people are on the telephone system. Mr.



1 H. Keith Oliver, witness for Home Telephone Company, correctly stated at page  
2 seven of his direct testimony that "the more people connected to a two-way  
3 network, the more valuable the network." A customer in Columbia, where no  
4 direct state USF support is likely received, benefits when he or she can call a  
5 customer in Branchville or other rural areas of the state, where direct state USF  
6 support likely applies.

7 Cable companies have chosen not to participate in the public policy objectives of  
8 providing universal service to the high-cost rural areas of the state by becoming  
9 carriers of last resort. These same companies are now complaining of having to  
10 pay into the state USF fund, calling it a "tax" on South Carolina consumers. As I  
11 just noted, both urban and rural customers benefit from the fund and it is only  
12 appropriate that all customers, regardless of who their carriers might be, should  
13 pay into the fund.

14 **Q. Mr. Gillan also states that the inclusion of bundled and contract offerings in**  
15 **the state USF calculation does not help accomplish the goals of the state USF.**  
16 **Do you agree?**

17 **A.** No, I do not. Mr. Gillan readily admits on page five of his direct testimony that  
18 "the only appropriate use of the money in the fund is to keep prices for regulated  
19 basic local service lower in rural areas than prices would be otherwise without the  
20 fund." Mr. Gillan ignores the fact that the prime component of these bundled and  
21 contract offerings is the access line, which, as I stated before, provides basic local  
22 exchange telecommunications service. The fact that additional, and possibly

1           unregulated, products are included in the bundled or contract offering is irrelevant  
2           to the question of whether the access line is eligible to receive state USF support.

3   **Q.   Mr. Gillan states that the Commission's focus should be on the needs and**  
4           **rights of consumers that contribute to the fund. Do you agree?**

5   A.   I agree that the Commission's focus should be on consumers. However, Mr.  
6           Gillan places his attention only on the contributions consumers make to the fund  
7           and ignores the benefits *all* consumers receive from the fund. The Commission  
8           must balance these contributions and benefits by ensuring that the fund is being  
9           administered properly so that the surcharge assessed to all telecommunications  
10          users is reasonable and that rural customers have access to services comparable to  
11          those of urban customers at comparable prices. If Mr. Gillan had his way and the  
12          Commission were to disallow state USF support for access lines that are  
13          provisioned as part of a bundled or contract offering, carriers would likely  
14          increase the price for those bundles or contracts in rural areas of the state to  
15          recover the cost of providing service or would cease offering bundled services  
16          altogether. These actions would violate one of the principle consumer benefits of  
17          universal service, which, as I previously stated, is to provide comparable services  
18          between urban and rural areas at comparable rates. Certainly, this outcome would  
19          not benefit South Carolina consumers.

20   **Q.   Does this conclude your testimony?**

21   A.   Yes.

## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: State Universal Service Support of Basic Local Service  
Included in a Bundler Service Offering or Contract Offering

DOCKET NO.: 2009-326-C

**PARTIES SERVED:**

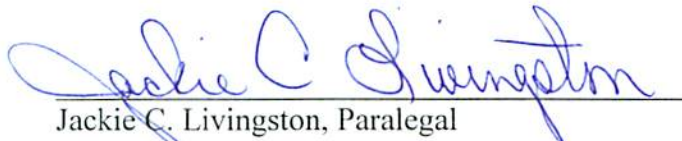
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PLEADING:

Reply Testimony of Ann C. Prockish

November 2, 2009

  
Jackie C. Livingston, Paralegal